

## Message Text

CONFIDENTIAL

PAGE 01 KHARTO 01401 291307Z  
ACTION AF-10

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08  
FRB-03 INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02  
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 SS-15 NSC-05  
L-03 IO-13 PA-01 /103 W  
-----021599 300059Z /73

R 291111Z MAR 78  
FM AMEMBASSY KHARTOUM  
TO SECSTATE WASHDC 6941  
INFO AMEMBASSY CAIRO  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
AMEMBASSY ABU DHABI

C O N F I D E N T I A L KHARTOUM 1401

E.O. 11652: N/A  
TAGS: EFIN, ECON, EAD, SU  
SUBJECT: BALANCE OF PAYMENTS: IMF PROGRAM AND DISCUSSIONS WITH  
OTHER ARABS

REF: (A) KHARTOUM 1029, (B) KHARTOUM 1264, (C) KHARTOUM 1343  
(NOTAL)

SUMMARY: FINANCIAL SITUATION HAS BECOME SO CRITICAL THAT  
THERE APPEARS NO WAY TO AVOID ADOPTION OF IMF PROGRAM.  
NIMEIRI APPEARS TO BE TAKING STEPS TO DIVERT INEVITABLE  
DOMESTIC CRITICISM AWAY FROM HIM. REPORTEDLY, SAUDIS AND  
KUWAITIS ARE WILLING TO MAKE SUBSTANTIAL BOP CONTRIBUTION  
AFTER IMF PROGRAM ACCEPTED. END SUMMARY.

1. PRESIDENT NIMEIRI APPEARS TO BE TAKING STEPS TO PREPARE  
POLITICAL GROUND FOR ACCEPTANCE OF IMF REFORM PACKAGE IN-  
CLUDING DEVALUATION. NIMEIRI CONFIDENTIALLY HAS INFORMED LEADER  
OF ONE MAJOR POLITICAL FACTION AND ONE OF THE MOST PROMINENT  
SUDANESE BUSINESS FIGURES THAT "HE HAS BEEN UNDER PRESSURE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KHARTO 01401 291307Z

FROM IMF TO DEVALUE AND HAS FOUGHT TO RESIST DEVALUATION." WE  
ASSUME HE IS MAKING SIMILAR COMMENTS TO OTHER SELECTED SUDANESE  
LEADERS. PREVIOUSLY, HE RESTRICTED HIS COMMENTS ON IMF MATTERS  
ONLY TO THOSE OFFICIALS MOST DIRECTLY INVOLVED. SINCE APPARENTLY  
THERE HAVE BEEN NO SIGNIFICANT SUBSTANTIVE EXCHANGES BETWEEN IMF  
AND SUDAN SINCE LATE JANUARY, WE ARE INCLINED TO VIEW THESE  
COMPLAINTS ABOUT IMF PRESSURE BOTH AS PREPARING DEFENSE OF HIS

ADOPTION OF IMF PROGRAM AND AS REACTION TO ARAB INVESTORS  
DESIRE FOR DEVALUATION.

2. RECENT PROMOTION OF OSMAN HASHIM TO FINANCE PORTFOLIO, WHICH PRESIDENT SHUCKED, IS BEING INTERPRETED IN PARALLEL VEIN. ACCORDING TO BANKING CIRCLES, NIMEIRI DID NOT WISH TO BE MINISTER OF FINANCE WHEN DEVALUATION DECISION BECAME KNOWN. THIS STRIKES US AS NATURAL POLITICAL MOVE WHICH FURTHER RECOGNIZES THAT DURING REFORM PERIODS DEMANDS ON MINISTER OF FINANCE WILL MULTIPLY. NIMEIRI COULD ONLY SPEND ABOUT TWO DAYS PER WEEK ON FINANCE AND FOUND IT DIFFICULT TO DEVOTE EVEN THIS MUCH TIME. LATELY DOMESTIC AND REGIONAL POLITICAL REQUIREMENTS HAVE BECOME MORE PRESSING. FURTHER, SOME BANKERS BELIEVE THAT OSMAN HASHIM HAS BEEN ADVOCATE OF FULL IMF REFORM PACKAGE. WE KNOW THAT HE WAS GENERALLY COOPERATIVE IN IMF NEGOTIATIONS, BUT HE HAS BEEN EXTRAORDINARILY CIRCUMSPECT IN DISCUSSING REFORMS WITH EMBOFFS. THIS CAUTION IS NOT SURPRISING AS SHERIF KHATIM APPARENTLY WAS REMOVED AS MINFIN BECAUSE HE WAS TOO FRANK IN DISCUSSING FINANCIAL PROBLEMS WITH CABINET.

3. ON ARAB FRONT, WE HAVE HEARD SEVERAL ACCOUNTS WHICH WE CANNOT CONFIRM. REFTEL A DESCRIBED A SCENARIO WHERE NIMEIRI HAD CONVINCED KING KHALID AND PRINCE FAHD TO MAKE A LARGE MULTI-YEAR COMMITMENT TO PROVIDE BOP SUPPORT WITHOUT DEVALUATION. ACCORDING TO ONE ACCOUNT, AFTER NIMEIRI'S DEPARTURE, SAUDI TOP FINANCIAL OFFICIALS PERSUADED POLITICAL LEADERSHIP THAT DE-CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KHARTO 01401 291307Z

VALUATION WAS NECESSARY BEFORE THEY COULD MAKE COMMITMENT. NIMEIRI'S CURRENT COMPLAINTS ABOUT IMF PRESSURE, IN THIS CONTEXT, COULD REFLECT SAUDI SUPPORT OF IMF. ALSO, WE HAVE HEARD "RELIABLE" STORY THAT KUWAITI MINISTER OF FINANCE HAS URGED SUDAN TO ADOPT IMF PROGRAM AND INDICATED THAT 100-200 MILLION DOLLARS OF SUPPORT WOULD BE PROVIDED BY KUWAIT. WHILE WE ARE VERY CAUTIOUS ABOUT POSSIBILITY OF NON-PROJECT ASSISTANCE FROM KUWAIT TO NON-CONFRONTATION STATES, WE DO VIEW KUWAIT COMMITMENT TO INCREASED FUNDING FOR KENANA SUGAR PROJECT AS AN ESSENTIALLY POLITICAL DECISION. THERE MAY BE A KUWAIT DESIRE TO HELP ON BOP FOR POLITICAL REASONS WITH THE REALIZATION THAT THEIR ECONOMIC PLANS FOR SUDAN'S DEVELOPMENT REQUIRE IT.

4. COMMENT: IT APPEARS THAT NIMEIRI RELUCTANTLY IS ACCEPTING THE INEVITABLE WHILE TRYING TO ASSURE THAT POLITICAL REPERCUSSIONS WILL BE LIMITED BY EXTRACTING MAXIMUM UNTIED SUPPORT FROM ARAB BROTHERS. NIMEIRI RELATED TO AMBASSADOR MARCH 25 SERIES OF BOP WOES (SEE REFTEL C). IN FACT, WE THINK SITUATION MUCH MORE CRITICAL THAN ADMITTED BY PRESIDENT. LITERALLY, FLOW OF ESSENTIAL IMPORTS IS DRYING UP. SOME DEVELOPMENT PROJECTS HAVE BEEN SUSPENDED QUIETLY. BANKS ARE HAVING GREAT DIFFICULTY IN CONFIRMING LETTERS OF CREDIT. PREVIOUSLY, WE REPORTED THAT

CENTRAL BANK WAS HAVING THIS PROBLEM. NOW, STRONGEST "PRIVATE"  
BANK IN FOREIGN TRADE SECTOR IS HAVING SAME DIFFICULTY EVEN  
FOR LETTERS OF CREDIT FOR MOST PRESTIGIOUS IMPORTERS. RE-  
PORTEDLY, THERE ARE DIFFICULTIES IN ARRANGING NEW SHORT TERM  
SELF-LIQUIDATING FACILITIES ON THIS YEAR'S COTTON EXPORTS  
BECAUSE SELF LIQUIDATING FEATURES OF 50 MILLION DOLLAR FACILITY  
ARRANGED LAST NOVEMBER HAVE NOT BEEN FULLY HONORED. IN SHORT,  
THE MOMENT OF TRUTH MAY HAVE ARRIVED, REFORMS WILL BE ADOPTED  
AND THE IMF MAY HAVE TO GRIT THEIR TEETH AS THEY ARE CRITICIZED  
FOR NIMEIRI'S POLITICAL PURPOSES.  
BERGUS

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BALANCE OF PAYMENTS, DIPLOMATIC DISCUSSIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 29 mar 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978KHARTO01401  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** DG ALTERED  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780137-0261  
**Format:** TEL  
**From:** KHARTOUM  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1978/newtext/t19780314/aaaaalte.tel  
**Line Count:** 126  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 101bfebb-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION AF  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 KHARTOUM 1029, 78 KHARTOUM 1264, 78 KHARTOUM 1343  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 28 apr 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3172651  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** BALANCE OF PAYMENTS: IMF PROGRAM AND DISCUSSIONS WITH OTHER ARABS  
**TAGS:** EFIN, ECON, EAID, SU, IMF  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/101bfebb-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014